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The Gulf monarchies: Economic and political challenges at the end of the century

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Abstract:

*The author examines recent social, economic, political and military developments in the six Gulf monarchies (Bahrein, Kuwait, **Oman**, Qatar, Saudi Arabia and the United Arab Emirates) and their international implications for the foreseeable future.*

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The author examines recent social, economic, political and military developments in the six Gulf monarchies (Bahrein, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), and their international implications for the foreseeable future. Key Words: Gulf States, Oil, Arab politics, Sunni, Shia, Bahrein, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

For many decades in this century, the Arab Gulf societies enjoyed a high level of socioeconomic and political stability. Their immense economic resources and credible religious foundation appealed to the great majority of their populations. The royal families were able to meet their peoples' financial aspirations and expectations, and at the same time, they were seen as the defenders of the faith against radical Arab nationalism, communism, and Zionism. Their emergence as independent nation-states, mostly after the Second World War, did not initially alter the main themes of their domestic and foreign policies.

However, this situation did not last. In the 1990s, the Gulf societies and political systems are very different from what they were two decades earlier. In all the six Gulf monarchies, the rulers confront a more assertive internal opposition and strong external threats. Two intertwined developments have contributed to the growth of public dissatisfaction: the stagnant oil prices since the mid-1980s, and the two regional wars (Iran-Iraq war and the Gulf War). On one side, the decline in public revenues has imposed restrictions on the generous welfare state of the 1970s which guaranteed employment, education, health care, and many other social services to all citizens. Meanwhile the Gulf governments have been compelled to consider other economic strategies in order to increase their revenues and reduce their expenditures. On the other hand, the huge costs of supporting Iraq in its war against Iran and then the war to liberate Kuwait as well as arms-purchases have depleted national treasuries.

Moreover, no stable regional security system came out of the Gulf War. Iraq was defeated but maintained enough power to pose military challenge to its neighbors and, at the same time, Iran is rebuilding its military power. Finally, the Gulf War and its aftermath brought Western troops to defend the Gulf states. This close cooperation between the royal families and the Western countries has weakened the religious appeal of the political regimes.

In short, since the early 1990s the six Gulf monarchies have been under increasing internal and external challenges. The nature and magnitude of these threats will be examined. Furthermore, the current responses to this changing environment by the political regimes and their strategies for the near future will be analyzed. The contention is that in the short term there is not immediate threat, but in the long run the stability of the Gulf regimes should not be taken for granted.

Oil

No single factor dominated the Gulf societies as oil has. Moreover, oil will remain the main determinant in shaping the socioeconomic, political, and the security environments in the region. In the Arab Gulf states, oil was discovered in the early 1930s, but was not utilized commercially until the end of the Second World War. Since then, the region's share in the world oil supply has been stable. In 1970 it was 27.6% and in 1996 it was slightly reduced to 25.9%² This steady oil supply from the Gulf is likely to increase over the years due to the huge reserves in the region. Proven reserves can be defined as "crude oil that is recoverable using present technology at current prices."³ In 1997 the share jumped to 65.2%. Given the resultant strategic importance of the region world powers will continue to be interested in the security of the regions.⁴ Given this strategic significance of the region, world powers have been, and will remain to be, interested in both the security of oil supplies and the stability of oil prices.

Unlike many other commodities, the prices of oil are not merely reflections of market forces (i.e. supply and demand). Rather, political changes have often played an important role. This role can be seen by analyzing Table 1.1.

The dramatic rise in 1974 was caused by the Arab oil embargo in the aftermath of the Arab-Israeli war of 1973. The second spike, 1979, was in response to the political turmoil in Iran which ended with the overthrow of the Shah and the establishment of the Islamic Republic. The 1986 plunge was due to deliberate Saudi policy to reduce oil prices in order to weaken the Iranian economy. Finally, the short-lived rise of 1990 occurred when Iraq invaded and occupied Kuwait. It is important to point out that these political interruptions in oil supplies had been associated with more negative impacts than just an increase in oil prices. Historically, they caused an increase in inflation and unemployment rates and a decrease in gross domestic product (GDP).

Table 1.1
Oil Prices (1973-1997) in US dollars per barrel

Year	\$	Year	\$	Year	\$
1972	10.90	1980	35.69	1988	33.22
73	12.83	81	34.12	89	33.69
74	16.41	82	31.90	90	29.40
75	18.70	83	28.74	91	36.56
76	11.63	84	28.07	92	17.21
77	12.38	85	27.53	93	14.90
78	13.03	86	12.97	94	14.76
79	29.75	87	16.82	95	16.89
				96	18.56
				97	38.14

Source: British Petroleum Company, BP Statistical Review of World Energy 1998, London: British Petroleum Company, 1998, p.34.

Table 1.1

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To sum up, oil prices had been stagnant at a low level since the mid 1980s. Equally important, the future is not promising. The repeat of the 1970s' shocks is not likely. United States, Japan, Germany,

and other countries created Strategic Petroleum Reserves in order to overcome any short-term decline in oil supplies. More important, since 1990 Western powers have been stationed in the Gulf to protect oil fields. Thus, no significant escalation in world oil prices is expected, instead, it will be a gradual increase. Indeed, the United States Department of Energy predicts that until the year 2010, prices will not exceed \$22.32⁵ This modest rise will have a significant impact on the evolution of the region's economies.

Economic Systems

Since its exportation in commercial quantities in the aftermath of the Second World War, oil has dominated the Gulf economies. The term, "rentier economy" is used to describe the main characteristics of the oil-dominated economies.⁶ Rent is defined as "the difference between the market price of a good or a factor of production and its opportunity cost."⁷ This rent (i.e. oil revenues), has provided the Gulf monarchies with immense wealth and enabled them to create a "cradle-to-grave" welfare state in which substantial goods and social services are available to the citizens either heavily-subsidized or completely free of charge. Furthermore, the state did not need to tax its people and, given the large economic pie, social class conflict almost did not exist. This was the case during most of the 1970s and 1980s. However, the sharp decline of oil prices since 1986 has posed a serious challenge to this generous welfare state.

In 1980 oil revenues in Kuwait, Qatar, Saudi Arabia, and UAE totaled \$143 billion. By 1996 they had shrunk to only \$72 billion.⁸ This huge reduction brought the era of abundance to an end. These low oil prices combined with a policy of overspending and huge military expenditures suggested that "business" could not "go on as usual" for very long and a new economic approach was needed. However, the Gulf regimes have been slow in appreciating the need for a change. The huge financial resources which had accumulated in the late 1970s and the early 1980s delayed the process of adjustment to the new economic environment. Drawing down on these assets has contributed to a shift of the external current account balance from a surplus to a deficit of about 10 percent of GDP on average in 1991.⁹ Another tactic to resist fiscal discipline has been budget deficit which reached a peak of 9 percent for the six Gulf monarchies in the first half of this decade.¹⁰ In order to cover this deficit, a common practice has been to rely on domestic borrowing through the issue of government bonds. Thus, in Saudi Arabia, for example, total domestic debt rose to \$95,500 million in 1995, equivalent to 81 percent of the kingdom's gross national product (GDP).¹¹

A parallel strategy has been to call on the private sector to shoulder the financial burdens with the governments. Therefore, the Gulf regimes have taken a number of initiatives to boost the private sector. These include: partnership, tax incentives, and development of local stock and bond markets. These strong links with the state have left the private sector with little autonomy and hindered its ability to play a significant role in the region's societies. In all the six Gulf states, the governments still lead the process of re-engineering the economic structure.¹² For the last several years the focus has been on a two-fold strategy: privatization and diversification.¹³

For several decades, the Gulf economies have been characterized by a noticeable state-domination of almost all aspects of the economic process (i.e. production, distribution, allocation of resources, finance, and trade.) Following the relative decline of their financial resources since the mid-1980s, the six Gulf monarchies have introduced a number of initiatives aimed at relaxing the weight of government control and thereby increasing the efficiency of their resources. Stock exchange markets have been opened in one Gulf state after the other; one objective of this move being to attract the Gulf money which was otherwise being invested in foreign markets. In 1995, the World Bank estimated the stock of

capital abroad from the region at about \$300 billion, more than any other region in the world as a share of GDP.¹⁴ Meanwhile, several laws have been enacted to encourage foreign investment (particularly in Bahrain and Oman) and a number of public enterprises have been sold to the private sector in all the six states. Furthermore, in order to liberalize their foreign trade sector, four of the Gulf states have already joined the World Trade Organization. In 1998, the other two, Saudi Arabia and Oman, began negotiating the terms of their membership. Kuwait has gone further than the other Gulf monarchies in privatizing its economy, although it is important to emphasize that throughout the region privatization remains in its infancy. Economic liberalization still has a long way to go. This conclusion can be applied to the other side of the economic strategy: diversification.

The demonstrated vulnerability of the Gulf states to the fluctuation of oil prices has prompted them to embark on attempts to diversify their economic bases away from sole dependence on the oil sector. Kuwait has pursued a policy of developing foreign refinery projects in the form of joint ventures and has invested heavily in the international hotel industry. Qatar's hydrocarbon-based industrialization strategy has centered on the development of downstream processing facilities for oil and gas feedstocks.¹⁵ The Saudi Basic Industries Corporation (SABIC) has taken the lead in developing the kingdom's industrial sector. At the same time, agriculture has been the subject of intensive reforms. In the mid 1980s, Saudi Arabia was the world's third largest food importer, but in 1991 it became the world's sixth largest exporter of wheat.¹⁶ Similarly, both Kuwait and the UAE invested in local fruit, vegetable and poultry production in order to achieve food self-sufficiency. However, a severe water shortage has forced all of them to reduce their investment in food production.

To sum up, the Gulf monarchies, in contrast to Saudi Arabia, are too small to diversify. Their main, and almost only, economic asset is oil. The region's attempt to diversify its economic bases faces two important challenges. On one side, the limited water supply hinders any expansion in agriculture. On the other hand, the smallness of the pool of well-trained indigenous labor makes the switch to industrialization unrealistic. Put differently, none of the Gulf states has the potential of becoming another Singapore. Most likely, the hydrocarbon sector will remain the main engine of the Gulf economies in the foreseeable future. This modest success in privatization and diversification left the royal families with very few options to balance any decline in their financial assets, and cuts in public spending have become a necessity.

In the first half of the 1990s the six monarchies took a number of measures to boost their coffers. These included reducing subsidies on water, electricity, domestic airfares, and fuel. Meanwhile, in an attempt to raise public revenues, the cost of visas for foreign workers has been increased. Finally, public spending has been frozen at the current levels. In Saudi Arabia, for example, government expenditure was reduced by 19% in 1994, 6% in 1995, and was frozen in 1996.¹⁷

In conclusion, it is important to observe that the six Gulf monarchies do not face a fiscal crisis. Rather, what they confront is a relative decline in their financial resources. They are neither poor nor about to become so. They still sit on top of the world's largest proven oil reserves.¹⁸ Thus, the welfare state remains in place, albeit less generous. Furthermore, unexpectedly, oil prices were higher in 1995 and 1996 than was predicted. This provided additional income which can be seen both as a blessing and a curse. On one side, it helped the Gulf states to repay some of their arrears both internally and externally¹⁹ and led to budget surpluses instead of deficits. On the other hand, this relative improvement may tempt the governments to proceed more slowly with economic liberalization. Any such policy relaxation could have negative effects in the long run,²⁰ given the demographic structure of the Gulf societies. Table 1.2 shows some of the main characteristics of the population map in the region.

The figures show an extremely high population growth rate particularly from 1960 to 1993. In a little more than three decades the region's population went from 5.3 million to 24.3 million, a more than fourfold increase. This growing number of people means a strong need for jobs. Furthermore, because the population is younger this itself adds increased pressure on the economic system to generate more jobs. Given the fact that the oil industry is capital-intensive, unemployment has already become an important challenge to the Gulf states. Put differently, population growth has outpaced job creation. In order to meet this challenge the Gulf governments have become the main employers. In Kuwait, 93% of the labor force works for the government.²¹ This expanding bureaucracy has complicated the process of economic reform. A productive economy would require the downsizing of public employment and the shift of the labor force to the private sector. Meanwhile, for many years the Gulf states have invested heavily in education with a view to providing their populations with the skills which will enable them to replace skilled foreign workers in the private sector. But, the growing number of educated youths has disturbed the political stability of the Gulf regimes.

Table 1.2
Demographic Profile of the Gulf Monarchies (1960-2000)

Country	Estimated population (in thousands)			Annual pop. growth (%)	
	1960	1993	2000	1960-93	1993-2000
Bahrain	80.2	80.5	88.8	1.8	2.4
Kuwait	80.3	81.8	81.8	5.8	0.3
Oman	80.8	82.0	82.6	3.8	4.0
Qatar	N/A	80.5	88.6	7.8	1.9
S. Arabia	84.1	77.1	21.7	4.4	2.1
UAE	88.1	85.8	82.1	9.5	2.1

Source: World Bank, Human Development Report 1996, New York: Oxford University Press, 1996, p.178.

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Table 1.2

Political Regimes

In the early 1990s the political environment in the Gulf was ready for change. The governments were struggling to fulfill their commitments to a growing population with declining financial resources due to the collapse of oil prices. Given the significance role of generous welfare policies in securing people's support, the political consensus was under pressure. This pressure was further aggravated by the Gulf War and its aftermath. First, the war drained public treasuries. Second, it highlighted the failure of the defense policies of the Gulf states and their dependence on foreign powers. Third, it invited Christian armies to defend the "land of Islam," a notion which has proved objectionable to a segment of the Gulf population. All these changes indicated that the rules of the political game in the aftermath of the Gulf War would be different from those of the previous decades.

Many of the ruling families realized the need to respond to the new pressures in a new way. The political developments in the last several years, and for some time to come, reflect the interaction between three forces: the prevalence and depth of popular discontent; the existence of an organized opposition capable of exploiting and mobilizing this discontent; and the various responses by the different ruling regimes. Consequently, political developments in the region since the early 1990s share some similarities, but they also show basic differences.

Kuwait

Kuwait has taken further steps than the other five Gulf monarchies along the road to representation and accountability. Not surprisingly, the Freedom House Survey classifies Kuwait in its annual edition, *Freedom in the World*, as "partly free", the other Gulf states are classified as "not free."²² This distinction can be explained by a combination of geographical and historical circumstances. The emirate is located very close to the three regional powers, Iran, Iraq, and Saudi Arabia, and has always been

under contradictory pressures from all of them. A relatively open society has served as a survival strategy. Unlike the other Gulf states, Kuwait is the only one that completely ceased to exist during the Gulf crisis. In order to restore the state's sovereignty, the royal family had to appeal to two constituencies: external and internal. It was necessary to present Kuwait as a democratic government in order to secure Western support and, eventually, Western leaders' commitment to liberate the emirate. Meanwhile, the Emir needed to mobilize his people behind him in this historical juncture. To do so, he had no choice but to promise a full restoration of parliamentary life and popular participation.

This pledge was made in Jidda, Saudi Arabia, during the Iraqi occupation in 1990. A little more than a year after liberation public elections were held to choose fifty members for a new National Assembly. Approximately 82,000 males, about 15 percent of the population, were registered to vote. In 1994, the Assembly passed a new law which extended the right to vote to the sons of naturalized Kuwaiti citizens - about 110,000 males.²³ Thus, in the following elections, October 1996, the number of citizens eligible to vote was more than doubled.

In closing, it is worth noting that the Kuwaiti experiment is being watched carefully by its neighbors. Given the geographical and cultural approximation, the experience in Kuwait can have a strong impact on political developments in the other Gulf states. Bahrain

Since the mid-1990s, civil strife in Bahrain has been among the worst the Gulf states have ever witnessed. The Khalifa ruling family has faced a prolonged confrontation with a growing opposition. This can be explained, partly, by the fact that the majority of the population are Shia'a (about two-thirds) while the ruling family is Sunni. In consequence there have been claims of discrimination in education, jobs, and other economic and political benefits. This tense situation has been further aggravated by alleged intervention by both Iran and Saudi Arabia. For a long time, Tehran has maintained special relations with the Shia'a community in Bahrain. These close ties were claimed by both the Shah and the Islamic regime. By contrast, since Saudi Arabia is only about fifteen miles from the emirate, Riyadh has made the consolidation of the Bahraini regime a Saudi national security issue. This special relationship between Riyadh and Manama has another dimension. Bahrain's oil resources have been almost depleted. The emirate depends, to a large extent, on generous Saudi financial aid. This close military and economic cooperation has compelled Bahrain to follow the Saudi cautious approach toward political reform.

In July 1992, a petition was presented to the Emir calling for the restoration of the constitution and the elected National Assembly (both were suspended almost two decades ago). Instead, the Emir appointed a thirty-member Consultative Council with no formal legislative power. This council has not met the aspirations and demands of the opposition. Accordingly, a Committee of the Popular Petition (CPP) was created in October 1994. Embracing all religious and political tendencies it was able to gather 25,000 signatures in support of a petition calling for greater popular participation in government. The government's response was to arrest the leaders of the CPP and, in response, a wave of demonstrations and riots started in December 1994 and lasted for almost eighteen months.

In an attempt to contain popular discontent, the government adopted a stick and carrot approach. In addition to arrest and detention, a cabinet reshuffle took place in June 1995, sending a signal indicating a new direction for the future. At the same time, Manama accused Tehran of promoting the riots, although since the election of Muhammad Khatami as president of Iran in May 1997, the tension between the two countries has been reduced tremendously and diplomatic relations have been restored.

Oman

Oman has a more homogeneous society than Kuwait, with its large Shia'a minority, or Bahrain, with its Shia'a majority and Sunni rulers. Both the Omani ruling family and the majority of its people belong to a sect of Islam called Ibadiyya. This relative homogeneity has played a significant role in shaping the political setting in Muscat by creating a less confrontational and more accommodative relationship between the royal family and the people. This has been enhanced by the impressive rise in the standard of living since Sultan Qaboos came to power. Unlike Kuwait and Bahrain, Oman never had a constitution or elected legislature. Instead, a Consultative Assembly was established in 1981 with no legislative power.

Unlike most other Gulf states, no petitions were presented to the Omani government in the aftermath of the Gulf War. Nevertheless, the Sultan took the initiative and replaced the Consultative Assembly by a fifty-nine-member Consultative Council in 1991. The leading citizens in each of the fifty-nine provinces nominated three persons and the Sultan chose one of them to represent his province. After the first national census in 1993, the membership was expanded to eighty. Moreover, two women were selected to serve in the second Council making Oman the first, and so far the only, Gulf monarchy to have female members in the legislature. Finally, it is worth noting that this harmony and peaceful evolution of the Omani political system did not stop an attempt to overthrow the government in 1994. The plot failed and the government arrested hundreds of people. Later, most of them were released in celebration of the Sultan's twenty-fifth anniversary of his rise to power.

United Arab Emirates

This example of positive ties between the ruling family and the people is echoed in the neighboring United Arab Emirates (UAE). Oil was discovered in the UAE in the late 1950s, as a result of which it soon became one of the wealthiest countries in the world. The acquisition of this enormous fortune in a short time has left very little incentive for discontent. Put differently, the economic pie was large enough to make everybody happy. Therefore, no petitions were presented to the rulers. Instead, the UAE established a forty-member Consultative Federal National Council comprised of advisers appointed by the rulers. As in other Gulf states, this council has no legislative power.

Qatar

Recent political developments in Qatar have been shaped by three forces: its small population, rivalry with neighboring countries, and succession problems. The emirate has the smallest population in the Gulf, a little more than half a million people. This, combined with its massive income from oil and natural gas, has created the need to import more foreign labor than other Gulf states. Foreigners outnumber nationals by four to one, and this huge imbalance in the demographic structure has deepened the ruling family's sense of vulnerability. The history of rivalry with the rulers of Riyadh and Manama has deepened the sense of alienation. Finally, the succession to the throne in recent Qatari history has been more irregular and less smooth than the other monarchies. Taken together, these factors have provided reason for the rulers to take a strong hold on power with little room for compromise and tolerance. No elections have ever been held. Furthermore, when more than fifty prominent citizens signed a petition in December 1991 calling for an elective assembly and political reform, the government responded by a program of interrogation and harassment.

Saudi Arabia

Since the Gulf War the Saudi royal family has confronted more challenges than most of the other Gulf

monarchies. The war and its aftermath have weakened the Saudi regime in many ways. First, for most of the two decades preceding the invasion, the kingdom had played a prominent role in regional policy. The conflict meant the collapse of the political and security system in the Gulf and the failure of the backbone of this system - Saudi Arabia. Second, the invitation to foreign troops to protect the kingdom indicated that despite immense military expenditures since the 1970s Riyadh was not able to defend itself. Third, during the crisis the kingdom was home for more than half a million non-Muslim and non-Arab Westerners. Their presence dealt a heavy blow to the religious appeal of the Saudi regime.

Consequently, in the two years following the Gulf War a number of petitions were signed by prominent Saudi citizens calling for more public accountability, popular participation, and a return to the basic tenets of Islam. The magnitude and source of the opposition shocked the government and was seen as a direct challenge to a fundamental component of the regime's legitimacy. In response, the state took many steps to confront the opposition. It tried to accommodate some, punish others, and, in the process, to contain all.

One year after the Gulf War King Fahd promulgated a long-awaited Basic System of Government. A Consultative Council was inaugurated in December 1993, all its sixty members being appointed by the King and, as elsewhere in the region, it has no legislative power. Another important development was the formation of a new cabinet in August 1995. Most of the fifteen new members are technocrats, a sign of a more efficient administration. In addition, two important religious institutions were created: the Ministry of Islamic Affairs in 1993, and, a year later, the Supreme Council for Islamic Affairs, comprising many members of the royal family and chaired by the King's brother, Prince Sultan.

Another attempt to contain criticism has been through punishment. In September 1994, the two most charismatic preachers, Salman Al Audah and Safar Al Hawali, were arrested. Other critics, such as Muhammad Al Massari and Saad Al Faqih, were detained for some time. Later, these two figures fled to Britain where they founded the Committee for the Defense of Legitimate Rights (CDLT) to monitor human rights abuses in the kingdom. Another important opponent to the Saudi regime is Usama Bin Ladin, who made a fortune when he worked as a contractor in the Kingdom and later has generously funded a number of Islamic movements all over the world. In an unprecedented step, in April 1994, the government stripped Bin Ladin of his Saudi citizenship.

Moreover, in the early 1990s an attempt was made to reach a compromise with the Shia's dissidents led by an organization known as the Reform Movement. Riyadh agreed to release some of the Shia's prisoners, allow others to return to the kingdom, and lift some of the restrictions on the Shia's community. In return, the organization agreed to suspend its monthly magazine *The Arabian Peninsula* and stop its rhetoric against the Saudi government.²⁴ Then in November 1995 a car-bomb exploded near a communication center in Riyadh killing six people, five of them Americans, and injuring another sixty. In June 1996 a gasoline tanker carrying a bomb exploded outside a residential compound near Dhahran killing nineteen Americans and injuring hundreds of other nationalities. These two unprecedented attacks are seen as an embodiment of mounting opposition to Saudi defense policy involving an American presence in the kingdom.

A number of conclusions can be drawn from the foregoing survey of the recent political developments in the Gulf monarchies. First: Who are the opposition groups? Theoretically there are a number of potential sources of organized opposition. These include members of the military, liberal technocrats, and dedicated Islamists. For a long time the Gulf rulers have watched and learned about coups, and attempted coups, all over the Middle East. Therefore, they have consolidated their control over the military. In all the six Gulf states, there has never been any change in the leadership as a result of a coup

d'tat. Simply stated, the loyalty of the military is not in doubt for the time being, and any liberal technocrats are either very weak or have been co-opted by the political regimes. Given the dominant role of religion in the Gulf societies, it is inaccurate to speak of a liberal democratic opposition in the Western sense. Opposition groups in the Gulf do not primarily differentiate themselves on the basis of economic policy preferences.²⁵ Instead, their focus is on the restoration of a pure form of Islam to their societies. The absence of autonomous organizations such as political parties and independent labor unions can be seen as a reflection of the political environment. The only institution which enjoys relative independence from the state is the mosque. This has strongly contributed to the strength of the Islamic movement in the Gulf. The movement is not monolithic. Rather, a number of distinctive groups can be identified within the Islamic opposition. These include figures from within the religious establishment, independent preachers or reformer-Islamists, and the Shia'as. All accuse the Gulf regimes of deviating from the "true" Islam, but they differ in their views as to how government can be put on the right track.

The Shia'a opposition is of special interest for two reasons: doctrinal and geopolitical. A main area of dispute between the Shia'a community and the Gulf states reflects the historical conflict in Islam between the two main sects: Sunnism and Shiaism. All of the royal families are Sunni and some of the Sunnis, both in government and opposition, perceive the Shia'as as heretics, who "must be asked to surrender to the true Muslims and should not be allowed to perform their misguided religious rites in public."²⁶ This perception has complicated the chances for compromise between the Shia'as and the State and, at the same time, made it harder for a genuine cooperation between the Shia'a and other Sunni opposition groups.

In addition to this doctrinal dimension, the Shia'as are the majority in Bahrain, and a substantial minority in Kuwait and Saudi Arabia. In the latter, they represent about 8 percent of the population as a whole: but more important, they are concentrated in the strategic Eastern Province, the oil zone of the country. The oil reserves in Qatif and Ghawar are in places where 90 percent of the population are Shia'as.²⁷ This heavy concentration in such a strategic location gives the Shia'a opposition additional significance. It is to be remembered that the attack in June 1996, when nineteen Americans were killed, took place in the Eastern Province. Furthermore, the Shia'a communities in the Gulf are close to Iran, which shares with them the same beliefs and a similar resentment towards the royal families.

A second important conclusion focuses on what the opposition groups want. Regardless of the diversity within them, there are some common themes in their demands. In other words, the opposition groups are more or less united in what they are against. The list includes governmental corruption and nepotism, economic and financial mismanagement, lack of Islamic purity and acceptance of cultural degradation²⁸, foreign policy issues such as the close ties with the United States and the peace process with Israel.

A third important question raised by this survey of political developments in the Gulf monarchies since the early 1990s is concerned with the prospects for change. Do the opposition groups have a realistic chance of imposing their demands on the ruling families? Are they powerful enough to impose these demands? The short answer is No. Throughout the Gulf opposition groups are weak and divided. They have not produced a charismatic leadership or a comprehensive platform to unite all of them and to appeal to the majority of their constituencies. They are growing, but, at the end of this decade, they will still be in their infancy. They cannot be compared with other more developed movements such as the Muslim Brotherhood in Egypt or the Islamic Salvation Front in Algeria. The Islamic movement in the Gulf still has a long way to go. Furthermore, its demands can be seen more in line with reform not revolution. In other words, the tone and objective of the opposition is toward reforming the existing political regimes not overthrowing them. This suggests that for the foreseeable future a drastic change

in the political environment in the Gulf is not expected. Instead, a slow and gradual transition is likely to continue. This does not mean that the Gulf regimes are static. They are not. Given the current status of the opposition, if there is to be any early change it is more likely to come from within the royal families.

The Succession Question

The elitist paradigm holds that the elites themselves will be the pivotal actors in any basic change in the nature of a society's policies.²⁹ Probably more than in any other place in the world, the royal families in the Gulf are by far the main players in their countries' political systems. They have monopoly over the sovereign ministries (interior, defense, and foreign affairs). Furthermore, the history of the Gulf states is literally intertwined with that of the ruling dynasties as the Table 1.3 shows.

This long history of the royal families illustrates the significant role they have played in the political history of their societies, particularly in their transformation into independent nation-states. However, the transition of power from one ruler to another has not always been peaceful. Furthermore, for the near future an intrafamily quarrel with uncertain consequences cannot be ruled out for at least two reasons. On one side all the six monarchies lack a mechanism for change. There are no rules for succession. The transformation of power has been accomplished in an arbitrary fashion, and this opens the door for disagreement and conflict. On the other hand, most of the current rulers have been in office for a long period of time. They have been able to secure a high level of stability in their societies under hard conditions including the ups and downs of oil prices and the two Gulf Wars. This can be explained, to a great extent, by their ability to maintain a balance between modernity and traditionalism. Nevertheless, for natural reasons the situation is likely to change. Shortly, a younger generation will take over. The new rulers will have grown up under different circumstances than their predecessors. They have different values. It is not clear whether they will be able to maintain the stability of their societies. What is clear is the fact that they add more uncertainty to the future of the Gulf. This uncertainty has already started to show itself in one country after another.

Table 1.3
Gulf Monarchic Dynasties and Rulers

Bahrain	Ahmad Ibn Khalifa Isa Ibn Sa'ud Al Khalifa	1783 1861
Kuwait	Sabah Ibn Jabr Jabir Al Ahmad Al Sabah	1752 1977
Oman	Ahmad Ibn Said Qabus Ibn Said Al Said	1744 1970
Qatar	Muhammad Ibn Al Thani Hamad Ibn Khalifa Al Thani	1868 1985
Saudi Arabia	Abdul Aziz Ibn Saud Fahd Ibn Abdul Aziz Al Saud	1932 1982
UAE	Zayed Ibn Khalifa Zayed Ibn Sultan Al Nahayya	1833 1971

*The first line shows the name of the founder of each dynasty and the date of its foundation. The second line gives the name of the current ruler and the beginning of his reign.

Source: Gerdien Bakker, "Regional Peace and Stability in the Gulf," Security Dialogue, Vol. 26, No. 3, Fall 1995, p. 318.

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Table 1.3

Oman is an embodiment of the unknown future. The current ruler, Sultan Qaboos, has neither brothers nor sons. In his almost three decades in power he has not nominated a designated heir. His death could open the door for a dispute between different factions within the ruling family. In the United Arab Emirates, the question of succession is complicated due to the federal nature of the state. Still, it is likely that the son of the ruler of Abu Dhabi, the largest and wealthiest emirate, will succeed his father as the president of the whole federation.

The question of succession is even less certain in Saudi Arabia. In 1992 the King issued the Basic Law of Government. According to the new law suitability has replaced seniority as the basis for choosing the

next king and this opened the door for power-jockeying by potential heirs. The change in leadership in Riyadh gained special attention in late 1995 when King Fahd was seriously ill³¹ and temporarily transferred power to his half-brother, Crown Prince Abdullah. Many observers speculate about a potential power-struggle between the Crown Prince on one side and what is known as the "Sudairi Seven" on the other. This latter group constitutes the sons of Abd Al Aziz from his favorite wife, Hassa Bint Al Sudairi. They are: King Fahd; Prince Sultan, Second Deputy Prime Minister and Minister of Defense and Civil Aviation; Prince Nayif, Interior Minister; Prince Salman, Governor of Riyadh Province; Prince Ahmad, Deputy Minister of Interior; Prince Abdel Rahman, Deputy Minister of Defense and Civil Aviation; and Prince Turki, former Deputy Minister of Defense.³²

In early 1996, the King resumed power and put an end to these speculations. But when Prince Abdullah succeeds his brother the change is likely to be in style not substance. Given the fact that both the King and the Crown Prince are in their seventies, the real test to the Saudi regime will come when the next generation assumes power.

This transition of power from one generation to another has already taken place in Qatar. In June 1995 Sheikh Hamad ousted his father, Sheikh Khalifa and declared himself Emir. However, the deposed ruler has not accepted his removal from power and is alleged to be preparing to take back his throne by force. In February 1996, the Doha authorities announced that they had foiled a plot hatched by Sheikh Khalifa to seize power and had arrested 100 people.³³ Since then, the other Gulf rulers have been trying to mediate a peaceful solution between the father and the son. In conclusion, this intra-family power struggle illustrates an important source of threat to the stability of the Gulf monarchies. This internal challenge can be aggravated by external threats from neighboring Iraq and Iran and the efforts to contain them.

Military Security

The Gulf region has one of the world's worst imbalance in the distribution between power and wealth. The richest countries in the region, the six monarchies, are militarily weak and vulnerable to their two strong and less wealthy neighbors: Iran and Iraq. This geopolitical nightmare³⁴ can be seen as a main reason for the lack of stability in the region. The Gulf War was a turning point in the military arrangements in the area. In recent history, no Gulf state completely swallowed another. The unprecedented international intervention left the impression that the global powers would establish a permanent security system. This has not happened. No durable peace has been created in the aftermath of the Gulf War.

Furthermore, the ease and rapidity of the occupation of Kuwait by Iraq illustrated another important dimension of the Gulf monarchies' vulnerability. Most of them lack strategic depth. The only one large enough to resist foreign invasion is Saudi Arabia. However, the majority of the kingdom's oil fields are located in the Eastern Province, very close to the two powerful neighbors: Iran and Iraq. In order to overcome this vulnerability, the six monarchies have pursued different defense strategies aiming at increasing their military capabilities and deterring potential enemies. These strategies can be labeled as self-reliance, regional collective security, and dependence on the West, particularly the United States.

The strategy of self-reliance is constrained by demographic, political, and social obstacles.³⁵ All the six monarchies suffer from a shortage of man-power in comparison with their neighbors. Their population pool is not large enough to match that of Iran and Iraq. In order to overcome this obstacle different policies have been considered. Foreign nationals have served in the military in some of the Gulf states - particularly in Oman and the UAE - but they have not been proved to be a sufficiently reliable source to

ensure national security. Another policy which has been recently tried in the UAE is to train women to serve in various paramilitary functions.³ In addition to this apparent lack of indigenous manpower, other political considerations play an important role in determining the size and structure of the armed forces. Most of the six Gulf states avoid universal conscription. A full mobilization of the population might fuel demands for popular participation. Furthermore, some of these states practice a "selective recruitment" policy under which the number of Shia's who join the military and are promoted to high-ranking positions is watched carefully. This is very important in some countries such as Bahrain, Qatar, and the UAE, where a primary responsibility of the military is to serve as an internal policing force, and their loyalty to the political system should not be in doubt. Similarly, the armed forces of the UAE are not fully integrated. There is some tension between the loyalty to the federal government and that of the individual emirates.

These internal problems within each of the six monarchies are further complicated by the lack of trust among the six monarchies. Historically, some of the royal families have had "not very friendly" relations with their counterparts. Over the years, boundary problems have raised the level of tension between the different Gulf states. This shaky environment is worsened by the fear that the five Gulf states have of being dominated by their large and strong neighbor, Saudi Arabia. Given this uneasy co-existence, the development of genuine military cooperation between the six monarchies has proven difficult. The Gulf states have tried to create a strong united military force called Peninsula Shield, stationed at Hafr Al Batin in northeast Saudi Arabia, to defend them from any foreign aggression, but their success has been very modest. They have disagreed on the size, equipment, leadership, and many other issues, and it is highly unlikely that the Gulf rulers will be able to create a strong united indigenous military force in the foreseeable future.

Table 1.4

Western Dependence on Oil Supplies from the Gulf (1985-1990)

Country	Total Oil Imports	Imports from the Gulf	%
US	4,286 8,833	0,364 1,562	07.62 19.44
OECD (Europe)	7,381 7,346	2,560 3,357	34.68 46.32
Japan	4,308 2,709	2,533 3,980	58.79 69.71

* The first two rows figures for 1985 and second line 1990.
* Columns 2 and 3 are millions of barrels per day.
Source: Energy Information Administration, International Petroleum Statistics Report, Washington DC: US Government Printing Office, May 1996, pp. 45-51.

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Table 1.4

Table 1.5

Gulf Areas Purchases from the West (1996-1997)
(in millions of dollars)

Country	Bahrain	Kuwait	Oman	Qatar	S. Arabia	UAE	Total
Australia		0004					0004
Austria					0005		0005
Canada					0044		0044
France		0021	0132	0462	0680	0191	3156
Germany	0003				0004	0179	0206
Italy		0045			0045	0096	0186
Netherlands	0010		0019	0056		0225	0310
Spain			0029				0029
Sweden					0048		0048
Switzerland			0010		0222		0232
UK		0708	0719	0249	2494	0763	4933
USA	0381	3071	0080		0813	0543	4168
Total	0384	4275	1052	0747	2402	1768	24232

Source: Peter Winkler, 1999: Arms Transfer and Arms Production Project, Stockholm, 1999.

[Enlarge 200%](#)

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Table 1.5

Therefore, the six Gulf states tried to forge an alliance with two regional powers, Egypt and Syria, in order to contain any threat from Iraq or Iran. It is to be remembered that both Cairo and Damascus participated at least nominally in the war to expel Iraq from Kuwait. Shortly after the war, in 1991, the foreign ministers of the six Gulf states, Egypt, and Syria signed an agreement called the Damascus Declaration. According to this accord, the Egyptian and Syrian armies were supposed to defend the six

monarchies in return for generous economic assistance. However, for many reasons the Declaration was never implemented. First, the Gulf rulers had second thoughts about making a financial commitment to Cairo and Damascus. Second, they saw a potential for domestic unrest if they allow the Egyptian and Syrian armies to be stationed there for a long period of time. Third, the Gulf War proved that the real military power which liberated Kuwait and protected Saudi Arabia was Western. After the war, the Western countries have shown their continuing ability and willingness to defend the Gulf and this left little reason to replace them by Egyptian and Syrian forces. Finally, Iran expressed strong opposition to any military alliance with outside powers. It became clear that any framework for Gulf security which excludes both Iraq and Iran has the appearance of an alliance against one or both of these Gulf powers, which may provoke more problems than it solves.³⁷ These shortcomings of the Damascus Declaration have accelerated and intensified the adoption of the third approach towards Gulf security: dependence on the West.

In February 1996, Congressman Lee Hamilton, a ranking member of the House International Relations Committee said, "Not too many years ago, we were talking about a force over the horizon. The countries of the Gulf did not want us there, but they wanted us nearby. No longer.s" This statement reflects a significant development in the relationship between the six Gulf states and Washington. For most of the decades preceding the Gulf War the United States relied on regional powers to secure oil supplies from the region. The American presence in the area was limited. The closing years of the Iran-Iraq war witnessed a growing American role in defending the Gulf states. After the defeat of Iraq, it became apparent that the American military mission in the Gulf is not a short-term one. Washington was invited by the Gulf rulers to stay in the region in order to prevent any aggression from the two strong neighbors, Iran and Iraq. The two sides, the US and the Gulf monarchies share the same interest: oil, a strategic commodity for the former and the main source of national income for the latter. It is worth noting that Western dependence on the Gulf oil has deepened in the last decade as Table 1.4 illustrates.

As the figures show, Western dependence on, and interest in, the Gulf has been on the rise. In order to protect the source of this strategic commodity, Western countries, particularly the United States, have assumed the responsibility of defending the region. Since the Gulf War this growing Western military role has been felt in many ways. Washington, London, and Paris have signed defense cooperation agreements with the Gulf states which allowed them, among other things, to pre-position military equipment in the region. In order to avoid inflaming its Islamist opposition, Saudi Arabia has refrained from signing a formal agreement but has been working closely with Western countries. Equally important to these agreements are the arms purchases. Table 1.5 demonstrates the Gulf dependence on arms purchase from the West.

The figures show the tremendous amount of money spent on arms purchases in the first half of the 1990s. Naturally, the countries which led the coalition against Iraq: United States, Britain, and France were the main suppliers of arms to the region. The countries which were effected the most by the war: Saudi Arabia, Kuwait, and United Arab Emirates bought more weapons than the others. However, given the economic problems the Gulf states have faced for the last several years due to the stagnation of oil prices, new orders have been suspended and payments were stretched out.

In closing, a number of conclusions can be drawn from the preceding discussion. First, these huge arms deals were made to achieve a two-fold goal. On one side they raised the defense capabilities of the Gulf states. On the other side, the increased the integration of the Gulf security into the national interests of the West. Put differently, the cash paid for these weapons generates jobs and adds badly-needed financial resources to the Western economies. Thus, increasingly the well-being and prosperity of an

important economic sector in the West are tied to the security of the Gulf. This link between military expenditure and economic growth has recently taken a new dimension in what is known as "Offset Programs." These arrangements require sellers of weapons to reinvest a percentage of all outlays in economic projects within the contracting country.³⁰

Second, the transfer of these big ticket and high technology weapons is not meant to make the Gulf states able to defend themselves. Given the huge demographic imbalance between them and their two powerful neighbors, it is not expected that they will be able to resist a military attack by themselves. Rather, these advanced weapons should slow down any aggressor until Western countries come and fully project its military power. Third, the Gulf War has confirmed the presumption that Western military intervention is a necessity to maintain the status quo in the region. For the last few years individual Gulf states have shown more interest in consolidating their bilateral military cooperation with Western countries than in developing a collective regional security system. This trend is likely to endure in the foreseeable future.

Conclusion

Since the Gulf War the six monarchies have experienced significant changes. This transitional stage in the Gulf history is pregnant with many socio-economic forces which are moving in different, and sometime opposite, directions. However, it is important not to prejudge these movements. Currently, the six Gulf states do not face a serious crisis in any sense. Economically, they are less rich than they were a decade ago, but they are not poor. Politically, they are not threatened by any popular upheaval. The domestic opposition is growing but it has a long way to go before posing a real threat. Militarily, the Gulf states face challenges from their powerful neighbors, but the United States, the only remaining superpower, is there to protect them. Washington has both the capability and the will to defend the six monarchies for many years to come.

This rosy picture shows half the truth. The fact that they do not confront a serious crisis does not eliminate potential threats. Social, economic, and political changes inside and outside the Gulf make the future less certain. The main challenge facing the royal families in the Gulf is to figure out the appropriate way to respond to these changes at the right time before it becomes too late and too painful.

For the foreseeable future, oil will remain the backbone of the Gulf economies and the generous government subsidies will continue, albeit at a lower level. Meanwhile, the attempts to implement structural adjustments are likely to continue. The young and growing population is a constant pressure to create more jobs. The private sector can generate more productive jobs than the government. Furthermore, the depleted oil resources in some states, notably Bahrain, provide additional incentives for economic reform. This gradual opening of the economy is likely to facilitate and accelerate the process of political liberalization. The growing integration of the Gulf societies into the global system is already increasing their exposure to mass media and liberal, non-traditional values. The rising demands for popular participation cannot be ignored and neglected for ever. In the next few years the quarrel between the forces of inclusion and those of exclusion will intensify. The more educated elements of the population will be more aggressive in rejecting a traditional and tribal form of government.

These governments will continue to rely on the Western powers to protect them from Iran and Iraq. This dependence on foreign troops has a political cost. Some opposition groups reject the Western presence, particularly in Saudi Arabia. But the need for Western protection is not likely to decrease in the foreseeable future: the prospects for a durable peace are not there. The strategic, doctrinal-

ideological and historical distance between the Islamic regime and the Baathist leadership on the one side, and the traditional monarchies on the other, will never totally close. A major challenge for the two sides is to develop a working relationship. An effective state of peace involves much more than the absence of war.

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1 The author would like to acknowledge the generous support he received from Professor Lisa Saurer and Professor Lisa Bash-Ward.

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